

installment at the time the borrower signs Exhibit A of Agency Instruction 1951-T (available in any FSA office.) This amount will include the unpaid interest and any principal that would be credited to the account as if the installment were paid on the due date taking into consideration any payments applied to principal and interest since the due date. Recoverable cost items may not be set aside and the account must be serviced in accordance with § 1951.907(d).

[68 FR 55303, Sept. 25, 2003; 68 FR 69955, Dec. 16, 2003]

#### §§ 1951.955–1951.956 [Reserved]

#### § 1951.957 Eligibility determination and processing.

(a) *Eligibility determination.* (1) Within 30 days of a complete DSA application, the Agency official will determine if the borrower meets the requirements set forth in § 1951.954. Approval shall be contingent upon the borrower's continuing eligibility through the signing of Exhibit A of Agency Instruction 1951-T (available in any FSA office).

(2) The borrower has 45 days to sign Exhibit A of Agency Instruction 1951-T (available in any FSA office) for each loan installment set-aside approved. Subject to § 1951.954(a)(6), the Agency may provide for a longer period of time under extenuating circumstances, such as where the Agency's approval is contingent upon the borrower paying a portion of the FLP payments from proceeds that may not be immediately available.

(b) *Processing.* (1) [Reserved]

(2) Interest will accrue on any principal amount set-aside at the same rate charged the non-set-aside portion. Interest will not accrue on the interest portion set-aside. Limited resource interest rate changes will affect the principal set-aside.

(3) The amount set-aside, including interest accrual on any principal set-aside, will be due on or before the final due date of the loan.

(4) If the borrower is not current on all FLP loans when Exhibit A of Agency Instruction 1951-T (available in any FSA office) is executed, the borrower, and all obligors in the case of an entity, must execute and provide to the

Agency a best lien obtainable on all of their assets except:

(i) When taking a lien on such property will prevent the borrower from obtaining credit from other sources;

(ii) When the property could have significant environmental problems or costs;

(iii) When the Agency cannot obtain a valid lien;

(iv) When the property is the borrower's personal residence and appurtenances; provided:

(A) They are located on a separate parcel; and

(B) The real estate that serves as collateral for the Agency loan plus crops and chattels are valued at greater than or equal to 150 percent of the unpaid balance due on the loan.; or

(v) When the property is subsistence livestock, cash, special collateral accounts the borrower uses for the farming operation or for necessary living expenses, retirement accounts, personal vehicles necessary for family living or farm operating purposes, household goods and small tools and small equipment such as hand tools and lawn mowers, and other similar items.

(5)–(6) [Reserved]

(7) Payments applied to the amount set-aside will be applied first to interest and then to principal. If more than one installment is set-aside on the loan, payments will be applied to the oldest installment set-aside until paid in full, before applying payments to the second installment set-aside.

(c) *Adverse determination.* If the borrower becomes more than one installment behind on any FLP loan while processing the DSA request, or while an appeal is being considered, and the second installment cannot be paid current prior to exhibit A of FmHA Instruction 1951-T (available in any FSA office) being signed, the DSA request will be denied.

[60 FR 46756, Sept. 8, 1995, as amended at 62 FR 41253, Aug. 1, 1997; 65 FR 31250, May 17, 2000; 68 FR 55303, Sept. 25, 2003]

#### § 1951.958 Cancellation and reversal of DSA.

(a) *Reasons for cancellation.* The set-aside may be reversed and exhibit A of FmHA Instruction 1951-T cancelled